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ABSTRACT

This paper presents findings of a study that explored effective school-based budgeting practices within effective school-based management (SBM) contexts. The sample was comprised of 18 schools across 9 school districts (7 in the United States, 1 Canadian, and 1 Australian)--that had used SBM to improve school performance. During onsite visits, data were gathered through document analysis and interviews, usually with district administrators, selected school board members, the union president, and school-level administrators and staff. Findings suggest evidence of a broadened definition of school-based budgeting; however, a tremendous gap continued to exist between ideal and actual practices. Districts had decentralized some power, but schools had little discretion after district, and sometimes state, constraints were taken into consideration. Information sharing was often restricted by the political culture of the district and a lack of technology; staff development was relatively fragmented according to availability and demand; and there was very little experimentation with reward structures in schools. There was evidence to suggest, however, that there was a scaling-up process occurring as districts were working to use school-based budgeting to help create high-performance schools. One table is included. Contains 28 references. (LMI)

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School-Based Budgeting: Organizing for High Performance

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Author's Note: In preparing this chapter, the authors benefited in significant ways from Allan Odden's wisdom and "policy sense."

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ABSTRACT

There continues to be a deficit of information about how to carry out budgeting at school sites and the support structures needed for implementation. This paper adds to the knowledge base by exploring effective school-based budgeting practices within effective school-based management contexts. In this international study of eighteen schools across nine school districts, we found evidence of a broadened definition of school-based budgeting, but there was still a gap between ideal and actual practices. Districts had decentralized some power, but schools had little discretion after district, and sometimes state, constraints were taken into consideration; information sharing was often restricted by the political culture of the district and a lack of technology; staff development was relatively fragmented according to availability and demand; and there was very little experimentation with reward structures in schools. There was evidence to suggest, however, that there was a scaling up process occurring as districts were working to use school-based budgeting to help create high performance schools.

School-based management has become an increasingly popular strategy to reform education. Within this current trend to decentralize management to schools, budget authority is usually the most common responsibility delegated to the site followed by personnel and curriculum responsibilities (Clune & White, 1988; David, 1990; Hatry et al., 1993). It is thought that devolution of budgeting to individual schools will encourage innovation and change (Raywid, 1990). States and even local school districts are considering school-based budgeting as a potential tool for achieving financial equity among schools (Bradley, 1994; Odden, 1994). In addition, advocates have argued that school-based budgeting will enhance organizational effectiveness and productivity by placing decisions closest to students (Levin, 1987) and by directing accountability toward individual schools instead of the central office and board of education (Ornstein, 1974).

While the literature is slowly increasing, there is still a great need for more information about how to structure school-based budgeting as part of effective school-based management. Recent research has analyzed district and state policy related to school-based budgeting (Wohlstetter & Buffett, 1992), but there continues to be a deficit of information about how to carry out budgeting at the school site and the support structures needed for implementation. This paper adds to the knowledge base by exploring effective school-based budgeting practices within effective school-based management contexts.

Early research on school-based management focused on how much power was devolved to schools, but more recent research has examined a broader set of conditions for school-based management, including the professional development activities, information, and rewards needed to create high performing school organizations. In the first section of this paper, we explore the implications of an expanded notion of school-based management as a context for examining the budgeting process. The second section analyzes exemplary school-based budgeting practices in several school-based managed districts to learn more about how schools effectively redesigned themselves to accommodate their new budgeting responsibilities.

The High Involvement Framework: Strategies for School-Based Budgeting

High involvement, or decentralized management, has become a prevalent strategy in the private sector to enhance organizational effectiveness and productivity (Lawler, 1992; Lawler & Mohrman, 1993). Studies conducted in the private sector have indicated that decentralized management works best in organizational settings where the work is complex, is most effectively done collegially or in teams, and involves a great deal of uncertainty (Mohrman, Lawler, & Mohrman, 1992). Therefore, while the high involvement framework is not appropriate for all types of organizations, it is applicable to schools due to the intellectual complexity and uncertainty of teaching and the fact that teaching is best done collegially (Mohrman, Lawler, & Mohrman, 1992; Wohlstetter & Odden, 1992).

Based on Lawler's (1986) work, it has been found that organizational effectiveness and productivity improves when four key resources are decentralized within the organization: power, information, knowledge, and rewards. In the context of school-based budgeting, the high involvement framework implies that schools need "real" power over the budget to make allocation and expenditure decisions; fiscal and performance data for making informed budget decisions; professional development and training for the budget process so that people at the school site will have technical knowledge to do the job; and control over the compensation system to reward performance. In this section we review previous research on decentralized management and school-based budgeting by applying the high involvement framework. Our analysis, therefore, is structured around the following four questions:

1. Who should be empowered and what kinds of powers are needed for school-based budgeting?
2. What kinds of information are needed for school-based budgeting?
3. What training is needed for school-based budgeting?
4. What changes in the reward structures are needed for school-based budgeting?

For each of the questions, we describe generally what high involvement means for budgeting in the private sector and follow this with a review of the literature on school-based budgeting as it relates to the high involvement framework.

Who should be empowered and what kinds of powers are needed for school-based budgeting?

In the private sector, several levels of the organization, including departments or divisions and work teams, may be empowered to make budgeting decisions. Operating in a high involvement framework, these groups function almost as "small businesses" or a "mini-enterprises" (Lawler, 1992). Their responsibilities include hiring and firing, scheduling, setting standards, managing inventory, and dealing with customers. To effectively accomplish these tasks, Lawler (1992) suggests that these groups need budgetary responsibility, including the ability for "...processing claims, managing credit card accounts, managing investments, and providing staff services such as fringe benefits" (p. 92). While many private sector organizations have devolved these tasks to the department or division level, there are now examples of these duties being delegated to work teams as well.

Lawler's (1986) work suggests that school-based budgeting would entail allocating most of the budget to schools in a lump-sum and then empowering key stakeholders at the site -- the school site council, the principal, and teachers -- to make budget decisions (Wohlstetter & Mohrman, 1993). Research in schools further indicates that sites need flexibility with the budget, so that school-level participants can make changes to the instructional program, such as the ability to decide the mix of personnel. In Hannaway's (1993) research of two school-based managed districts, principals cited budget flexibility as a critical ingredient for effectively addressing school-specific problems. Research conducted by Brown (1990) also supports the importance of budget flexibility. In his study of centralized districts, one of the primary complaints of principals was that they did not have the flexibility to acquire the resources they felt they needed to competently do their job. A report by the U.S. General Accounting Office (1994) found that schools were able to meet needs as they arose when they had the flexibility to make changes in their budgets.

The literature on school-based budgeting suggests four major areas of authority that need to be shifted from the central office to the school site in order to provide school-level participants with the power and flexibility to improve school performance (Hentschke, 1988; Wohlstetter & Buffett, 1992). The first area is authority over the mix of professionals at the school site. This includes control over the recruitment and selection of staff as well as the ability to decide the number of part-time and full-time faculty; the mix of professionals and paraprofessionals; and the combination of faculty responsibilities, such as in-class and resource duties (Wohlstetter, Smyer, & Mohrman, 1994). Traditionally, the central office has dictated the quantity and mix of professionals in schools. Previous research in districts with school-based budgeting (Wohlstetter & Buffett, 1992) found some evidence of a power shift: schools were usually given the flexibility to determine the experience levels of teachers, but were not able to control the number or types of positions.

A second area of budgeting power is the extent to which schools control expenses related to substitute teachers and utilities (Hentschke, 1988). This includes the ability to accrue savings from these accounts as discretionary funds at the school site. In centrally managed districts, the district office pays for utilities and provides substitute teachers on an as-needed basis. Thus, if schools work to conserve energy by turning off lights after school hours or reduce teacher absenteeism, they do not gain any financial rewards for their efforts. Proponents of school-based budgeting argue that if such expenses were under school control, staff would become more aware of the costs and more efficient in their use of these resources.

The third area of authority is control over the source of supply (Hentschke, 1988; Murphy, 1991). In traditionally managed districts, the district office provides services and supplies to schools and often it is the district, not the school, that decides when they are needed. Under school-based budgeting, schools have the authority to purchase services and supplies from either the district or an outside vendor when the school decides they are needed. Brown (1990) predicts that if schools were given this authority, there would be less of an urge to hoard supplies. Past research of districts with school-based budgeting suggests that central offices have been reluctant to fully devolve this authority to schools, however. Wohlstetter and Buffet (1992) found, for

example, that even when schools were allowed to make purchases outside of the district, central office policies were sufficiently restrictive to provide a strong incentive for schools to use district providers.

Finally, the literature on decentralized management suggests that school-based budgeting should allow individual schools to carry over unspent money from one year to the next (Hentschke, 1988; Murphy, 1991). In centralized districts, any unspent money reverts to the district office. Such a policy often pushes schools to make poor expenditure decisions and order nonessential items just so that all of the money is spent on time (Brown, 1990; Prasch, 1990). In decentralized districts, Wohlstetter and Buffett (1992) found that most of the districts they studied allowed money to be rolled over into the following year and, further, that the money became discretionary regardless of its status the previous year, which ultimately helped schools with long-term planning.

In sum, the literature suggests that when power over the budget is decentralized, schools would need to receive lump-sum budgets. School-based budgeting would also entail shifting authority from the central office to allow schools to determine the mix of professionals; how to spend or save money for substitute teachers and utilities; the source of supply; and how to spend unused funds.

What kinds of information are needed for school-based budgeting?

In the private sector, Lawler (1992) found that information needs to accompany power in order for departments and work teams to be able to make good decisions. Indeed, according to Lawler (1992), "effective communication of financial and strategic information is a primary responsibility of senior management" (p. 208). This information might include revenues and costs disaggregated to the department and unit levels, timelines, production reports, and customer satisfaction results. Lawler (1992) suggests the use of technology, particularly electronic mail, as one way to speed up the collection and dispersal of this information.

Similarly, schools need to receive the information necessary for making decisions about how to create and plan a budget, how to allocate dollars, and how to monitor the budget. Brown

(1991) recommends that schools be provided with a district handbook to guide staff members through the budget planning process. This handbook might include district goals to guide the budget process; a planning timetable for the upcoming year; district allocation processes used; costs, such as personnel and services, to be incurred at the site; and the budget format to be followed. In addition, on-going monitoring of the budget needs to occur throughout the year. School personnel need continuous access to the status of their accounts, including monthly information about revenues and expenditures relevant to the budget by object, function, and program, so that they can participate in budgeting decisions effectively (Prasch, 1990). An on-line, interactive computer network would give schools ready access to such fiscal information (Wohlstetter & Mohrman, 1993) and could provide an electronic invoice and purchase ordering system. Knight (1993) found that information technology also can be utilized to model the financial costs of alternatives.

Other types of information that would be useful to schools with school-based budgeting include comparative data about other schools' budgeting activities/processes, survey data from parents and other community members about school priorities and performance, and student achievement and personnel data. Such information could be used to inform the budget development process by clarifying student needs and by providing useful school-based budgeting models (Brown, 1990; Wohlstetter, Smyer, & Mohrman, 1994).

What training is needed for school-based budgeting?

The high involvement approach suggests that power and information combined with a lack of knowledge of how to do the tasks assigned produces inefficiencies in organizational performance. Lawler (1992) describes two types of training activities that are needed to build this knowledge base in the private sector. The first type is technical training so that members of the department or work team have the skills to take on the tasks that are required of them. According to Lawler (1992), this training may need to be provided for as long as six to ten years depending on the complexity of the tasks. Interpersonal and team skills, or process skills, are the second type

of training. This training, which may be provided by a supervisor, should be continued until the team has reached maturity and can last as long as two to four years.

Research in schools supports Lawler's (1992) findings that knowledge needs to accompany power and information. Prasch (1990), for example, found that staff members resisted change when school-based budgeting policies were adopted without providing training in the use of a new accounting system. In the high involvement framework, professional development specifically designed to build capacity for the budgeting process is critical.

Based on the high involvement framework, implementation of school-based budgeting would include two types of knowledge development. First, participants need technical training designed to build managerial knowledge, such as training in program budgeting and fiscal accounting (Wohlstetter & Mohrman, 1993). Second, school-based budgeting participants need to be provided with process training in teamwork skills and the like, since work groups are often created at the school to handle financial decisions. Brown (1991) found that "an important element in the development of the budgeting process is the need to train participating personnel in their new roles that involve planning how money will be spent" (p. 67-68).

In addition to being trained for their new roles and responsibilities, the acquisition of knowledge needs to be an on-going, continuous activity (Wohlstetter & Briggs, 1994; Wohlstetter & Mohrman, 1993). Little (1989) found that staff development was often fragmented in content, form, and continuity. A school's financial environment is highly complex and often unstable; and membership on the school site council is likely to change. Therefore, participants in the budgeting process need to be provided with continuous professional development activities so that they can effectively adapt to changes in the environment and in school performance. According to Lawler (1992), these activities may need to last as long as ten years depending on the complexity of the budget process and how long it takes the budget team to reach maturity.

What changes in the reward structures are needed for school-based budgeting?

Lastly, Lawler (1992) proposes that employees in the private sector need to be rewarded for demonstrated skills and performance in order for an organization to achieve and maintain high

performance. Budgeting might be one skill block in a skill-based pay system that would reward individual employees for the number and types of budgeting tasks they could perform. Employees may also be awarded bonuses for group performance. These pay-for-performance programs include gainsharing and profit sharing (Lawler, 1992) that require control over budget allocations and expenditures.

In terms of school-based budgeting, schools need the authority to control faculty and staff compensation. Applying a high involvement approach, teachers would be paid on an individual basis for what they know and can do, and as a group for improved performance (Wohlstetter & Mohrman, 1993). On an individual level, as teachers took on the new tasks required of them in a decentralized management system, they would be compensated for demonstrated acquisition of the knowledge and skills needed to discharge these responsibilities, such as budget management and scheduling (Firestone, 1994). Groups within the school would also be compensated for improved performance. Schools, for example, might reward members on a budget task force for balancing the budget or accruing savings. Firestone (1994) cautions, however, that this process would have to be designed to ensure that savings are not realized by undermining the educational programs of the school, such as through under ordering supplies.

In sum, staff could be compensated on an individual basis, particularly if one person is charged with the responsibility for monitoring the budget, and on a group basis for budget development and planning. Such an approach entails moving away from the current policy of rewarding teachers for years of education and experience.

What Are the Budgeting Practices in Effective Site-Based Managed Schools?

The results from the study reported here used the high involvement framework to explore effective school-based management reforms and within them the exemplary school-based budgeting practices. This research, which is part of a larger study of school-based management, is based on data collected from nine school districts: Bellevue, Washington; Chicago, Illinois; Denver, Colorado; Edmonton, Alberta, Canada; Jefferson County, Kentucky; Milwaukee,

Wisconsin; Prince William County, Virginia; Rochester, New York; and Victoria, Australia.[1] In each of the nine districts, an elementary school and a high school were studied.[2] These schools were not typical schools. We went to districts that had delegated real budgeting and personnel responsibility to the school. Within these districts, we went to schools that had been identified as actively restructuring by either the superintendent or the associate superintendent for curriculum and instruction. Actively restructuring schools were defined as schools that had active school-based management governance activities in place, and had made concrete, observable changes to their instructional approaches. Thus, our sample included schools that had used school-based management to improve school performance.

Each district was visited by a team of two or three researchers for two to four days. During this period, budget documents were collected and extensive interviews were conducted. At the district office, the superintendent, four assistant superintendents (for school-based management/restructuring, curriculum/instruction, personnel and finance), selected school board members and the union president were usually interviewed. School site visits included interviews with the principal, vice principal, members of the school site council, union chair, resource specialists or selected department chairs, and several other chairs. In addition, a follow-up interview was conducted by telephone with a budget specialist, usually the associate superintendent for finance, in each of the districts.

How is money allocated to schools?

Among the districts in our sample, all had an allocation formula that was either wholly or partially based on various categories of student needs and/or grade levels. Prince William County allocated money to schools based on ten different categorizations of students (by grade level, special needs, program type, etc.). Jefferson County varied the per pupil allocation according to grade level and student need by providing, for example, an extra $16 for a third grade student on a reduced lunch program and an extra $25 for an eleventh grade student on a reduced lunch program.

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[1]For a more complete description of this study and the research methods, see Wohlstetter, Smyer, & Mohrman (1994).

[2]Both schools in Rochester were pilots for school-based budgeting. Schools in Victoria were not part of the "Schools of the Future" reform where 95% of the expenditures are devolved to the site.

Sometimes other conditions, such as the size and condition of the school building, were taken into account in the allocation formula as well. In Victoria, for example, the type of building, the number of students, the size of the building, and the condition of the building influenced the school site allocation. Schools in Chicago received money based on enrollment, special needs of students, operation and maintenance of the site building, special programs of the school board, security services, and food services.

Districts provided schools with varying amounts of budget authority. Most often, there were few discretionary funds given to the school. Victoria, for example, allocated three lumps of money --- one for curriculum, another for administration, and the third for facilities --- to each site, but schools could not transfer money from one lump to another. Furthermore, together these lumps only represented about 10% of the total school budget. As a result, there was not a great deal of flexibility.[3] Similarly, Milwaukee gave each school a line item budget in which money could be transferred, but only if approved first by the district.

A few districts provided schools with more discretion in their site budgets. Edmonton, Jefferson County, Prince William County, and Rochester all allocated schools a budget which was composed of a base allocation for resource needs consistent in all schools, which often included specific staffing positions, and a per pupil allocation for other specified items. According to interviews, budget specialists felt that this was an effective way to take into account economies of scale by providing even the smallest school with funds for a base program as well as money for discretionary spending. This allocation did not comprise the total school budget, however. In Prince William County, for example, this base allocation consisted of salaries for specific personnel, including the principal, librarian, guidance counselor, secretarial/clerical staff, and custodial staff. In addition, salaries for the director of student activities, in-school suspension staff, and security personnel were included in the base line allocation for high schools. A per pupil allocation was then added to this base allocation to provide funding for instructional staff, related support staff, supplies, equipment, and services for students. Several items were excluded from

[3] This has changed under the "Schools of the Future" reform where schools now receive money based on a simple per pupil formula and most of the budget is devolved to the schools.

this site allocation, however, including funds for attendance and maintenance personnel, cafeteria staff, student transportation to and from school, utilities, and repair and maintenance of school buildings and grounds. As a result of these exclusions, the districts that provided the most discretion were usually allocating between 85 and 95% of the school budget to the site, but even then many constraints, as discussed below, existed.

Across all schools, a major constraint on school control over spending was that very few discretionary dollars remained after salaries were paid and district restrictions, such as class size, were taken into consideration. Perhaps as a consequence, principals in the schools we studied were active in cultivating resources from outside sources. Almost all of the schools had or were in the process of applying for grants and other funding from the government and private sources. The high school in Milwaukee, for instance, had an Eisenhower grant and a Carl Perkins grant from the federal government and several grants from local foundations. In Victoria, the secondary school raised more locally than it received from the state for the school site budget. During interviews, school faculty in Victoria commented that they viewed the state allocation as the minimum and the additional money they raised provided them with real flexibility. In general, these additional funds helped reduce the constraints of the district allocation and had the effect of increasing the schools' discretionary pots.

This next section reports on exemplary budgeting practices in the 18 actively restructuring schools and the nine districts that we studied. Our expectation, based on previous research, was that these actively restructuring schools would have authority to determine the mix of professionals; how to spend or save money for substitute teachers and utilities; the source of supply; and how to spend unused funds. We also expected that school-level participants would have access to fiscal and performance data for making budget decisions, be trained in budgeting, and be rewarded for demonstrated knowledge and skills.

Budget Power

To assess the amount of power in schools with respect to budgeting, we first identified who was empowered at the site. As discussed below, we found that a redesign process occurred

at the school to accommodate new budget responsibilities. Next, we looked at what control schools had over their budgets, particularly in areas that traditionally have been controlled by the central office.

Who is empowered at the school site? School-based budgeting involves dispersing power that was once centralized in the district office to the school site. Across the sample districts, who was empowered at the school site was often determined by decision-making structures outside of the school. In most sample districts, either central office or state policy formally identified who would be responsible at the school site for the budgeting process. In seven of the nine districts, the task of developing and monitoring the budget was vested with a school site council. The composition of the council was also usually specified by an outside body. School site councils in Chicago, for example, were defined by state policy and were composed of the principal, two teachers, six parents, and two community representatives. By contrast, in Jefferson County, the schools decided who was going to be on the council. Similarly, Milwaukee dictated that parents had to comprise at least 51% of the council, but schools were able to determine the composition of the rest of the council. Two districts, Edmonton and Prince William County, identified the principal as the sole person responsible for the planning and expenditure of all funds. At the district level, such policies typically were set through collective bargaining agreements.

Although who was empowered was formally defined, the exemplary schools in our sample worked hard to ensure that power was devolved throughout the organization. Thus, in effective schools where the responsibility for the budget was delegated to a school site council, the process of developing the budget usually entailed soliciting input from various groups of stakeholders, including parents, so that many constituents participated in the budget decision making process. Further, the council typically set up a budget subcommittee to organize this process. A few councils empowered the principal to oversee budget development.

In the exemplary schools studied, the budget process usually began with the principal and/or a budget subcommittee soliciting input on school priorities. These forums used to get input were both formal (i.e., surveys and scheduled meetings) and informal (i.e., conversations and

word of mouth). At the elementary school in Rochester, for instance, the entire faculty identified school needs as a group; the principal helped the group convert these needs to dollar amounts; and then the group prioritized the needs. Such activities were incorporated into regularly scheduled faculty meetings, which were held after school. Similarly, the elementary school principal in Bellevue had each teacher submit an individual budget in addition to soliciting a school budget from the council. In most schools, the principal and/or budget subcommittee developed a site budget based on input from various school constituents and presented it to the school council. The school council usually reserved the right to adopt the budget or request that changes be made.

Similarly, in Edmonton and Prince William County, where principals were solely responsible for the budget, a budget committee composed of the principal and staff members drafted the site budget based on school priorities that had been set by the faculty. This budget then was presented to the faculty for recommendations. Although principals in these districts had the ultimate authority to approve the final budget, they relied heavily on faculty input to guide the process and usually did not contradict faculty wishes. Thus, although principals had veto power, we found in the schools we studied that it was rarely used.

The dispersion of power was critical for preventing turf wars over the budget process. Consider, for example, the high schools where the budget was developed by department chairs rather than through broader stakeholder channels. At the high school in Prince William County, most of the budget was constructed through departments. Dwindling resources took the focus of the budgeting process away from instructional improvement and the school spent significant amounts of time trying to be equitable in distributing resources across departments. Similar problems occurred at the high schools in Bellevue and Milwaukee where primarily department chairs, and not a wide variety of constituents, were actively involved in the budget process.

In most of the schools we studied, principals were critical players in the budget development process. Frequently they were required to serve on the council with duties including chairing the budget subcommittee or implementing budget decisions made by the council. In Edmonton and Prince William County, the district specified that the budget process was to be done

in conjunction with multi-constituency input, but the process for getting that input was left to the principal's discretion. Edmonton principals used results from formal district surveys to get a sense of the attitude of parents and the community toward the school, the district and its programs; and the attitude of staff toward students and parents, toward other staff, the school, the district and its programs.

Therefore, while the principal and school staff played the predominate role in budget development, parents and students in exemplary schools were also involved in the process. Although they almost never served on the budget subcommittee, parents and students were surveyed for input on school priorities and needs to guide the process. In general, their participation was restricted to approving the final budget through council membership.

In sum, regardless of whether a budget subcommittee, school site council, or principal was responsible for the budget, in the exemplary schools we studied many stakeholders were consulted during the budget development process.

What control over the budget do schools have? As noted earlier, previous research on school-based budgeting identified four areas of control: authority to determine the mix of professionals and paraprofessionals at the school site, authority over substitute teachers and utilities, the ability to choose where to purchase supplies, and authority to carry over unused funds from one year to the next. In traditionally managed districts these areas are largely under the control of the central office, but earlier studies of school-based managed districts found a shift of control toward the school site (Hentschke, 1988; Wohlstetter & Buffett, 1992). Table 1 indicates the extent to which the districts we studied had devolved control in these four areas.

Districts provided schools with varying amounts of authority over the mix of teachers and other staff at the site. Schools usually had the power to reduce class size by adding teachers, but could not increase class size due to collective bargaining agreements, district policy, or state law. There was more flexibility in the mix of classified staffing positions, including maintenance and clerical staff. Both the elementary and high schools we studied in Jefferson County eliminated some custodial and librarian positions so that they could add more staff to the classrooms, such as

teacher aides. A school in Rochester eliminated a custodial position and used the extra money to purchase additional supplies and equipment.

Table 1

Power Summary Measures for the School-Site Budgeting Process

School District	Power				
	Mix of Teachers & Other Staff	Substitute Teachers	Utilities	Source of Supply	Carry over Unused Funds
Bellevue, Washington	Yes	Yes	No	Yes	Yes
Chicago, Illinois	Yes	No	No	Yes	No
Denver, Colorado	No	Yes	No	Yes	No
Edmonton, Canada	Yes	Yes	Yes	Yes	Yes
Jefferson County, Kentucky	Yes	Yes	No	Yes	Yes
Milwaukee, Wisconsin	Yes	Yes	No	Yes	Yes
Prince William County, Virginia	Yes	Yes	No	Yes	Yes
Rochester, New York	Yes	Yes	No	No	No
Victoria, Australia	No	Yes	Yes	Yes	Yes

Schools frequently had difficulty increasing the number of teachers at the site because most districts allocated teacher salaries using a district-wide average. According to interviews with budget specialists, this allocation method was used to prevent schools from trying to save money by hiring more inexpensive, and possibly less qualified, teachers. While this provided schools

with hiring flexibility in terms of experience, it prevented site flexibility in the number of positions. Unlike the private sector where changes in staffing patterns is a major component of high performance, schools were not able to save money through teacher salaries and, therefore, could not really change staffing much because money for an additional teacher had to come from another source. As a result, most of the changes made in professional staffing patterns were relatively minor. The high school in Prince William County, for example, shifted a full-time classroom teacher to part-time and had the person serve as the school's budget officer the rest of the time. This person was a teacher who worked part-time on the school site budget and taught in the classroom the rest of the time.

Similar findings were found in districts where teacher salaries were not allocated to the school site. In Bellevue, the staffing of administrators and teachers was determined centrally by ratio. Schools had to submit a special waiver for changes in their staffing patterns. Likewise, the mix of professionals and paraprofessionals at the school site was centrally determined and allocated in Denver and Victoria based on student enrollment.[4] Once again, schools in these districts were unable to make significant changes in their professional staffs.

Almost all of the districts in our sample decentralized money for substitute teachers to individual schools. This enabled schools with low rates of teacher absenteeism to accrue money allocated for substitute teachers and to use it for other purposes. At the same time, schools that went over this allocation usually had to access other funds in order to balance their budgets. There was some form of a "hold harmless" provision in all of the districts that served to protect schools from financial hardship, however. Bellevue and Jefferson County gave schools control over funds for professional leave activities, while the district covered the cost of uncontrollable items such as illnesses and emergencies. In Milwaukee and Rochester, schools were allocated a set number of substitute teacher days per teacher per year, based on the district average. These districts then paid for any days exceeding this amount. (In essence, these policies in Milwaukee and Rochester created a win-win situation for the schools. The schools could have more money by saving

[4] Denver gave schools the actual salary allocation but this was for reporting purposes only and the allocation could not be altered.

substitute teacher funds, but the district bailed them out if they went over their budgeted allocation.) Finally, schools in Edmonton and Prince William County were provided with funds to cover the cost of short-term absences, but the district picked up the cost of substitute teachers after the regular teacher had been absent for more than three consecutive days.

In interviews, faculty members stated that substitute teacher funds, if carefully spent, could be used to enhance budget flexibility by empowering schools to trade-off substitute teachers for other resources. This was one area where schools had some real budgetary flexibility, but it represented only a small portion of the budget. We heard evidence, however, suggesting that teachers had begun to feel the collective impact of their individual decisions. As one teacher explained, "If a teacher calls in sick and does not come to work, then that teacher has made the decision to use school money for a substitute teacher."

As shown in Table 1, it was more common for districts to decentralize funds for substitute teachers than for utilities. Some districts argued they retained control over utilities for efficiency reasons. Jefferson County, for example, had a district-wide, computer-controlled energy management system to maximize efficiency. As a result, even if the districts had decentralized the cost of utilities to the school site, the school may not have had control over these funds. In Chicago, the cost of utilities was allocated to the schools for record keeping purposes, but they were paid for centrally. Furthermore, schools in Chicago were not penalized for utility costs exceeding their allocation nor were they rewarded for any savings. In Jefferson County, the cost of operating the energy management system was put into each school's budget, but schools had little control over the system or these funds. Of the sample districts, Edmonton's approach was the most radical, allowing schools to control funds for both utilities and substitute teachers.[5]

Generally speaking, the interviews suggested that schools did not want control over utilities. Among school-level participants, there was a preference for controlling funds related directly to managing instructional activities, but not for controlling funds related to the physical plant. In Jefferson County, the district handled most expenditures related to the building. As the

[5] According to district policy, authority over utilities was initially optional for schools in Edmonton, but eventually all schools would have funds for utilities in their site budgets.

principal at the elementary school commented, "I don't want to be a manager of a hotel. I want to focus on the business of schooling." This sentiment restricted school site authority over the budget process, however. Much of the budget was already constrained through restrictions on teacher salaries and, as a result, schools had relatively small amounts of discretionary funding. Central office jurisdiction over utilities further constrained the dwindling discretionary pot at the school site.

Whether schools could choose where to purchase supplies, staff development, and maintenance services was another element of budgeting power. Most of the districts we studied allowed schools to make purchases from vendors outside the district, but the central offices usually had mechanisms in place to discourage schools from doing so. Jefferson County, for example, restricted purchases outside of the district to a pre-approved list of vendors. Among the sample districts, only Rochester required schools to use the district warehouse and central office for supplies.

Districts also frequently monitored the amount of money that was spent on outside vendors to ensure that costly errors were not made. In Bellevue, schools could only make purchases under $100 outside of the district. Similarly, schools in Jefferson County and Prince William County had to use a bidding process designed by the central office for purchases over $5,000 and $2,500 respectively. This bidding process required schools to solicit a minimum number of bids and the central office usually had final approval. According to interviews with central office administrators, districts put in place these deterrents to prevent schools from spending more than they needed to on a particular good or service. These costs amounted to less than 5% of the whole school budget, however, and appeared to unnecessarily constrain the budget without any clear focus on results.

Some schools bought supplies outside the district even if they were discouraged from doing so. In Milwaukee, for instance, schools were strongly discouraged from purchasing maintenance services outside, because the central office felt schools paid a premium for these services. Schools continued to use these outside services, however, because the response was so

much quicker and, as a result, it was more cost-effective for them to do so. According to an interview with the budget specialist in the central office, this use of power at the school site had forced the district maintenance department to become more competitive. Not only is this what is supposed to happen in the ideal school-based budgeting process, but studies in the public sector suggest that this type of response builds a central office culture focused on providing services instead of on reinforcing rules (Barzelay, 1992).

As shown in Table 1, over half of the districts in this study, which had been identified as having exemplary school-based management practices, had unspent funds revert back to the central office at the end of the year. In Rochester, state law prohibited the carry over of unspent funds. Chicago allowed state Chapter 1 funds to be carried over, but general funds reverted back to the board of education. Denver was in the preliminary stages of allowing schools to carry over unused funds and was piloting the program in a couple of schools.

In other districts where schools were able to carry over funds from one year to the next, restrictions usually existed. These restrictions included allowing schools to carry over funds only in certain accounts, such as equipment and supplies, or restricting the total amount that could be carried over. In Prince William County, for instance, schools could only carry over a small amount -- $1,000 for elementary schools and $3,000 for high schools.

Many schools took advantage of the opportunity to carry over unused funds, regardless of whether or not restrictions existed. One elementary school in Edmonton accrued a $25,000 surplus over a five-year period. Similarly, schools in Milwaukee carried over $6 million district-wide in one year. As a result, schools were able to make purchases that otherwise would not have been possible by adding unspent money to their discretionary pots. Furthermore, the evidence suggests that schools were making budget decisions carefully each year to ensure there was money to carry over.

Schools that had the power to carry over unused funds also usually had to carry deficits into the next fiscal year as well. A school in Jefferson County, for example, overspent by $2,100 in one year. This deficit subsequently was rolled over into the following year's budget.

In sum, there was a gap in the schools studied between the ideal and actual amount of power devolved to the site. There continued to be many restrictions on the budget, such as in the mix of teachers, which resulted in a very small discretionary pot for the school. As a result, allocations had not changed substantially because schools did not have the flexibility to do so. Districts were slowly scaling up the level of discretion at the school site, however. Several districts had implemented pilot programs that would eventually be expanded to all of the schools. Edmonton schools had the option for utilities to be included in the site budget and Denver had piloted the ability to carry over unused funds in a couple of schools. Eventually, all Edmonton schools would have utilities included in the site budget and all schools in Denver would carry over unused funds. Therefore, although there was a gap between ideal and actual school-based budgeting practices, districts were working to slowly close this gap.

Budget Information

In schools with budgetary powers, districts need to provide schools with the information they need to create, implement, monitor, and evaluate their own budgets. Access to a computer network on which schools can input their budgets and shift funds from one account to the next provides schools with immediate, current fiscal information (Wohlstetter & Mohrman, 1993). Not only does this save time and paper shuffling, but it can also be used to provide schools with information about other performance measures, such as attendance rates and parent survey results (Odden, 1994).

Most of the exemplary school-based managed districts we studied had already developed a computer network linking schools to the central office or were planning to do so. There was a great deal of variation across districts in how far advanced they were in this process. With Schools of the Future, for example, Victoria was going to have a fiscal and student information system that would be available on-line to schools. The system would include revenues listed by their source, budgets for each program, an automated invoicing and purchase ordering system, a student scheduling system, and a process for recording student information. Denver, however, was still a couple of years away from having schools on-line, but was planning for it.

A couple of districts enabled schools to input their budgets on-line and use the system to shift funds between accounts. In Jefferson County, schools could create their budgets on computer terminals using various menus. One menu, for example, gave the value for various site positions. From these menus, a work paper was created for the budget. Over the year, changes could be made by transferring between codes. This system provided schools with instant information about the status of their accounts. Such systems allowed schools to monitor their own budgets and also reduced the oversight role of the central office.

In most districts where schools were on-line, the technology did not allow schools to make budget changes and it only provided information about the budget allocated to the site. Thus, although schools could create a budget or view their accounts, they could not make purchases or transfer money from one account to the next. In Chicago, the computer network was used only to input the school site budget. After that, expenditures were processed with a lag time through paperwork. As a result, many schools were not really using much technology in the budget development process. Although schools were on-line for budget information in Rochester, for example, the budget specialist did not think that schools were really using this resource.

Districts recognized that these constraints were unnecessary and were exploring ways to expand the capabilities of the computer network, once again trying to scale up and reduce the gap between real and ideal practices. Milwaukee was working to expand its computer capabilities to include information for budget forecasting to assist with longer-term (three to five years) planning. Likewise, Chicago was moving toward a system where schools could process requisitions electronically and create checks for nonprofessional services.

In addition to information transmitted via computer networks, most districts provided schools with other budget information. This included both planning information, such as a district budget manual that took schools through the steps of developing a site budget, and monitoring information, such as monthly budget updates (if this information was not available on-line). Often the budget manuals emphasized that the budgeting process should be used as a tool for achieving local priorities and goals. Edmonton's manual required schools to list specific school priorities,

measurable school results related to each priority, primary indicators used to determine the extent to which the result had been achieved, and descriptions of the activities and strategies used to achieve the results. The school was then supposed to create a budget to accomplish these goals.

Monthly budget updates were provided in some districts to enable schools to assess their own progress. Rochester, for example, provided schools with a computer printout each month that listed how much had been spent to date. Every expenditure was provided in detail so that the schools knew how much had been spent on supplies, service contracts, and every other code in the budget. In addition, schools in Rochester had access to data regarding student enrollment and attendance. There were several districts, however, that did not provide information as frequently or comprehensively. The budget specialist in Milwaukee, for example, felt that the schools needed better information for the current year and the district was working to improve this service.

There was evidence suggesting that schools that received this information appeared to be using it. The elementary school principal in Jefferson County, for example, provided the school site council with monthly budget updates, including the balance by line item. At the same time, however, this practice was not consistent across schools. In Chicago, the teachers were relatively unaware of the monthly status of the budget and were focusing on curriculum and instruction issues instead.

Access to information about innovative budget processes was another form of information that a few districts provided to schools. This information was used to help schools improve their own budgeting processes. A couple of districts promoted and encouraged sharing information with lots of informal opportunities for schools to learn from one another, such as through district-sponsored principal meetings and teacher networks. The central office in Bellevue also facilitated sharing by serving as a clearinghouse, referring one school to another. As a consequence, many schools in Bellevue used similar budgeting systems despite the wide flexibility given to them by the district office. Similarly, in both Jefferson County and Prince William County, experts from outside the district, including the superintendent from Edmonton, were brought in to provide new

perspectives on the budgeting process and informal opportunities, such as the principal liaison groups in Jefferson County, existed for schools to learn from one another.

There was, however, evidence that most districts' political cultures made it difficult for schools to share with one another. Milwaukee, for example, was described by people we interviewed at the elementary school as an extremely competitive system which made sharing across schools unpopular. Rochester schools were forced to share information about how they developed their budgets through a "freedom to access of information" act, but the information had to be formally requested from the district which was politically difficult for schools. As a result, information sharing was idiosyncratic and dependent upon school initiation and district support.

Another kind of information available to many of the schools we studied was feedback from constituents. Feedback was used in some districts and schools to help set priorities for the upcoming year. Chicago, for example, required school site councils to convene at least two "well-publicized" meetings every year to gather input from the entire school community on the School Improvement Plan, the school budget, and the annual school report. Edmonton also required public budget meetings and further, the district conducted yearly district-wide surveys of staff, students, parents, and community members.

Exemplary schools used such feedback from constituents to develop their guiding framework, or mission statement, and to inform the budget process. A guiding framework provided direction to the budgeting process because it forced the school to determine its priorities and to allocate its budget accordingly. In Edmonton, the school site budget was viewed as a tool for meeting local needs and priorities. Feedback from constituents in the form of survey information was used within the school to help develop budget priorities. In addition to district surveys, parents and teachers in Edmonton were surveyed constantly throughout the year by the schools. The parents at the elementary school said they rarely attended budget planning meetings, because they trusted the school staff and knew that their priorities had already been stated through the surveys. In effect, sharing information built up enough trust that responsibility was delegated while still maintaining a sense of ownership over the decision-making process.

In sum, information served a twofold purpose for most districts. While it was recognized that schools needed information to be effective in the budgeting process, concern was also expressed about the importance of the district's oversight role. In Edmonton, problems in misallocations at school sites led to increased central office control. Frequent reporting of information provided the district with an accountability mechanism. Therefore, information also had a compliance orientation typical of information sharing in traditionally managed districts, reflecting once again the gap between ideal and actual budgeting practices. The computer networks had the potential to meet both the need for central office oversight and the need to provide schools with frequent, comprehensive information. Ideally, they could provide schools with quick access to budget information while still allowing the central office to easily monitor school-site budget activities. This was one way that districts were scaling up to reduce the gap between ideal and actual budget information practices.

Budget Skills and Knowledge

In the smoothly functioning site-based managed school, professional development is typically a bottom-up activity in which people at the school site define their own training needs and how services will be delivered (Wohlstetter & Mohrman, 1994). With respect to budgets, we found that the district office continued to provide most of the training and professional development. Thus, despite the fact that many schools in our sample could go outside the district to purchase services and had at least some discretion over professional development funds, they continued to rely on the district for budget training.

To assess the nature of professional development in relation to budgeting, we determined the types of staff development activities that were needed, whether or not these activities were being offered in the districts, and, if so, whether it was an ongoing, sustained activity. To begin with, participants in the budgeting process need a wide range of knowledge and skills in order to effectively create a budget. Since budgets at the school site were usually developed in committee, this included both group process skills, such as consensus building and learning how to work in

teams, as well as technical skills specifically related to budgeting, such as how to develop and monitor a budget.

In this study, almost all of the districts provided schools with at least some training to assist participants in the budgeting process, but over half of the districts did not provide technical training. In Bellevue, an orientation was held for district schools covering such areas as the contract and policy procedures for site-based management teams; decision-making, consensus-building, and conflict resolution skills; how to process information during council meetings; and leadership training. The district had not provided very much technical training for school-based budgeting, however. Similarly, Rochester had a department in the central office for school-based planning to provide training in process skills to the school site teams, but there had been very little technical training for budgeting. This lack of technical training frequently lead to frustration among school staff about their lack of understanding of the budget process. For example, while central office staff in Rochester felt that school-level participants were very knowledgeable about the budget formula and did not need training, teachers at the elementary school we visited were, in fact, frustrated by their lack of budget skills.

A few of the districts provided schools with both process and technical training. Much of the technical training was designed to teach schools how to create a budget using the district's guidelines for school-based budgeting. This training included seminars on learning how to use the computer systems and on how to develop a budget according to district specifications. Chicago, for example, provided training to principals in the operation of the various automated systems used to input the budget. The school staff that received technical training appeared to be more comfortable with the budget process than those who did not, but they were not necessarily more involved. At the elementary school in Chicago, for example, teachers had turned most of the management of the school, including the budget process, over to the principal.

Most of the districts we studied held in-services to help school-level participants develop process skills, such as problem-solving and effective communications, at least once or twice a year. Rochester, for example, held an annual in-service on how to reach consensus and how to

work in teams. In the few districts where technical training was provided, it was also usually offered at least once or twice a year. The number of sessions offered varied from district to district. In Milwaukee, a formal in-service that covered budgeting was held at the beginning of each year while Prince William County provided at least two in-services a year for bookkeepers and a training session on budgeting for principals.

Some of the districts we studied provided schools with some initial in-service training, but it was not sustained. School-level participants in Denver, for example, received initial training in participation skills, consensus building, and other team-building skills. In these districts, very little additional staff development was provided after the initial training sessions, even though participants changed routinely each year. Some respondents cited the lack of support staff in the central office as the primary reason for so little follow-up. While Lawler's (1992) findings suggest that professional development is only needed until the staff are competent in their new roles and responsibilities, it appeared that some of these districts were terminating these activities too soon.[6]

Several models of staff development emerged in the districts we studied. Sometimes staff development was a central office-initiated activity, but more often schools initiated their own. District-initiated staff development usually dictated which school-level participants should attend and often only a few were selected to attend training on the budget. In Edmonton and Victoria, principals were primarily given training while Milwaukee and Prince William County provided training to school principals and business managers. Part of the training for Edmonton principals included year-long positions in the central office so that they could be more aware of how the district operated before returning to their school sites. Often the sites used these few trained people as resources within the school to, in turn, train other school staff. Thus, teachers at both the elementary school and the high school in Prince William County seemed to have a good grasp of

[6] This was not true in all districts. In Jefferson County, where principals had between three and nine years' worth of experience in budgeting, only two elementary school principals and no middle school principals attended the annual budgeting in-service. The district's budget specialist believed that this was because these principals simply did not need further assistance. Similarly, one could argue that school staff in Victoria did not need process training since they had been engaged in school-based management activities for over 20 years.

the budgeting process despite the fact they had not received training from the district. In effect, school-level people became partners with the district in delivering training around the budget.

Other staff development activities were school-initiated. Schools requested assistance from the district or other service providers and the training was developed and tailored to the school. Most school-initiated staff development was in the form of one-on-one assistance. Some districts offered telephone numbers where schools could call to get questions answered and central office personnel were available to come to the school site. The central office in Prince William County had two people who spent almost all of their time answering budgeting questions on the phone, while Edmonton had one person dedicating 90% of his time traveling to schools to provide training. Some training was tied to demand. So, for example, in Chicago, the Department of Purchasing was available to present purchasing seminars and the budget office in Prince William County could hold additional budget in-services if schools requested such services. Similarly, the district's budget personnel in Bellevue were available to make presentations at principal and school manager meetings and other similar gatherings upon request.

Overall, schools generally relied heavily on the central office to provide training for budget-related skills. At the same time, however, much of the training was school-initiated, either in the form of requests for one-on-one assistance or to increase the number of training sessions held. Because of the lack of technical training in most of the districts, however, staff development was relatively fragmented and largely dependent on the availability of one-on-one assistance. As a result, there was a large gap between ideal professional development practices, in which staff development is continuously provided until the school site staff have achieved the expertise needed, and the actual practice in the districts. Furthermore, there was little evidence that districts were scaling up to close this gap, but central office personnel were beginning to recognize that more assistance was needed. As the budget specialist in Denver stated, "Staff development is a terrible need and we don't meet it."

Rewards

A decentralized reward structure enables schools to reward staff for skills and performance and according to local priorities. In general, there were basically two characteristics of the formal reward structures that were decentralized in the districts we studied. First, districts did not pay teachers or principals for additional skills learned. There was no assessment of budget skills and no bonus tied to mastery of such skills. Second, some districts paid teachers for additional work. Such policies were usually initiated and worked out through collective bargaining agreements.

Another characteristic of site-based rewards was that they were more intrinsic than financial in nature. In general, schools provided lots of "pats on the back" to their teachers and other staff. The elementary school in Jefferson County provided teachers with flowers for Mother's Day and an appreciation dinner, while the high school teachers were recognized by the Parent/Teachers' Association during National PTA week. Among our sample schools, there were a few instances of financial rewards. The high school in Milwaukee, for example, chose to use one-sixth of its local budget to compensate council members for their time. Similarly, schools in Bellevue issued stipends for leadership roles that were played. Many schools also used staff development opportunities as a reward. Staff, however, did not always perceive these opportunities as part of the reward structure. At the high school in Denver, several teachers did not consider staff development money to be a reward.

Many of the site-based managed schools we studied theoretically had the power to reward faculty, but choose not to exercise it. Most schools could shift money around in the budget to award bonuses to teachers for learning new budgeting skills, but the schools opted not to do this. During interviews, several principals mentioned that they avoided such distinctions among faculty since this usually led to feelings of "winners and losers." Furthermore, the organizational culture frowned upon such differentiation.

In order for school-based budgeting sites to truly control the reward/compensation system, the high involvement framework calls for a shift from district policy, and collective bargaining agreements, to a school-based policy where the reward system for faculty is aligned with school goals. At this time, there is currently some experimentation occurring with decentralized

compensation/reward systems. These are usually district-driven reforms and they are not often present in school-based managed districts. Some districts in Colorado, for example, are experimenting with delegating authority over compensation structures to school sites, but Denver is not. In fact, the schools in Denver wanted to compensate teachers for not using their sick leave or for working overtime and were constrained by district rules and regulations. Thus, the evidence suggests that innovative reward structures are being adopted as separate, stand-alone reforms, instead of one component of a more comprehensive approach to systemic school reform.

Conclusion

School-based budgeting, like school-based management, is a tool to help schools achieve high performance -- not an end in itself. Although school-based budgeting can be used to help schools accomplish desired goals by enabling them to allocate money according to local priorities, stakeholders at all levels must be willing to be engaged in the effort. The central office personnel have to be willing to devolve power and provide support in the form of knowledge, information, and rewards to the schools while similar processes need to occur among constituents within the school.

In this study of exemplary school-based managed schools, we found evidence of a broadened definition of school-based budgeting, but there was still a tremendous gap between school-based budgeting within the high involvement framework and what was actually occurring in the districts. Districts had decentralized some budget power, but schools had little discretion after district, and sometimes state, constraints were taken into consideration. There was a scaling up process occurring, however, as districts experimented with devolving authority over various items. Similarly, information sharing was often restricted by the political culture and use of technology within the district, but several districts were working to close the gap between ideal and real practices by expanding the use of technology in the budget process. While there was not as much evidence to suggest that districts were scaling up to reduce the gap between the need for continuous, ongoing staff development and the current fragmented practice of providing

professional development according to availability and demand, there was a growing recognition that more training was needed and there was potential for growth in this area. Finally, there appeared to be very little experimentation with reward structures in schools, but there was movement toward the high involvement framework as some schools were beginning to manipulate budgets in ways that allowed participants to be rewarded for skills.

In conclusion, there are several policy implications for local, state, and national actors from this study of school-based budgeting. First, power that is devolved needs to be real power so that schools can allocate money according to site needs and priorities. Second, the flow of information can be improved with the use of computer systems that provide quick, up-to-date information that is needed to make good decisions. A guiding framework, provided by a state or district curriculum guide for instance, also informs the site-based budgeting process because it helps the school to develop its mission which in turn helps schools establish priorities and make budget decisions. Third, the money for professional development needs to be set aside to ensure that it is continuously provided so that participants can improve their budget decision-making processes. Finally, more experimentation is needed in terms of rewards. We have experiments with teacher compensation systems going on, but not in districts that have decentralized aggressively. There appears to be a need to marry the two reforms into a comprehensive strategy to create high performance schools.

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